



Special Notice

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Important New Requirements for Cigarette and Tobacco Products Distributors and Wholesalers

This notice is to inform you of new requirements under the Cigarette and Tobacco Products Licensing Act of 2003 ([Assembly Bill 71; stats. 2003, ch. 890](#)), which became law last October. You must comply with the law's new licensing requirements to sell cigarettes and tobacco products in California. The law also includes new recordkeeping requirements, inspection provisions, criminal and civil penalties, and other provisions controlling the sale of cigarettes and tobacco products in this state.

The license, recordkeeping, and inspection provisions of the law are contained in division 8.6 of the Business and Professions Code, beginning with section 22970.

Licensing requirements—apply by April 15, 2004

Under the new law, you must

- Obtain a license from us each year that allows you to sell cigarettes and tobacco products in California. This license is in addition to your other California licenses and permits. The cost of the license is \$1,000. You need a separate license for each location where you sell cigarettes or tobacco products.
- File your first license application and pay the license fee no later than April 15, 2004.

We will send you a license application soon. Other cigarette and tobacco products sellers in California will also be required to obtain and hold licenses. We will issue all of the new licenses no later than June 30, 2004.

Recordkeeping requirements—effective January 1, 2004

The new recordkeeping requirements went into effect on January 1, 2004. You must

- Keep your cigarette and tobacco product purchase records, such as invoices and receipts, for four years. You must keep the records on file at the location identified on your license for at least one year after the date of purchase.
- Allow our staff or law enforcement agency personnel to review your sales and purchase records upon request.
- Make sure your sales invoices meet all legal requirements. The invoices must be legible and include
 - ❖ Your address and telephone number, and after June 30, 2004, your new license number.
 - ❖ The name and address of the business purchasing the cigarettes or tobacco products, and after June 30, 2004, that business's license number. After June 30, 2004, you may not legally sell cigarettes or tobacco products to an unlicensed buyer or purchase them from an unlicensed seller.
 - ❖ The amount of excise taxes due or paid. A distributor's invoice must indicate the amount of excise tax paid to us. A wholesaler's invoice must state that the wholesaler has paid the tax on their purchase of the cigarettes or tobacco products.
 - ❖ An itemized list of the cigarettes or tobacco products sold.
 - ❖ A statement that identifies any tobacco products sold without tax under Revenue and Taxation Code section 30105 (only if you are a distributor that is an original importer of the tobacco products you are selling).

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Please note: It is your responsibility to maintain records proving that you have paid the excise taxes due. Distributors should have records that prove they have paid the applicable excise tax to us. Wholesalers' invoices should show that the wholesaler has purchased tax-paid cigarettes or tobacco products. If you do not have evidence in your records showing that the tax has been paid, we will presume it has not been paid. Products on which tax has not been paid are subject to seizure.

Inspection and penalties

Effective January 1, 2004,

- Our staff and law enforcement agency employees may inspect your location and seize any undocumented cigarettes or tobacco products, including cigarettes without tax stamps or with counterfeit tax stamps. The inspectors must identify themselves and present identifying credentials.
- New civil and criminal penalties go into effect for businesses that do not comply with the new law. They include, but are not limited to
 - ❖ Fines of up to \$5,000, or imprisonment not exceeding one year in county jail, or both, and
 - ❖ Suspension or permanent revocation of the required license for a location that violates the new law.

New sales, importation, and notification requirements

AB 71 also adds section 30165.1 to the Revenue and Taxation Code. It requires the California Attorney General to compile and publish, by June 30, 2004, a directory of cigarette and tobacco manufacturers and brand families. After June 30, 2004, you may not sell, offer, possess for sale, or import for personal consumption any cigarettes or "roll-your-own" tobacco in California unless the manufacturer and brand family are listed in that directory. In addition, it will be illegal to affix or cause to be affixed any tax stamp or meter impression to a pack of cigarettes or pay the tax on roll-your-own tobacco unless the tobacco product manufacturer and brand family are listed in the directory. The Attorney General will post the directory on the Internet at <http://ag.ca.gov/tobacco>.

The Attorney General must provide distributors with written notice of any changes to the directory after it is first published. Since that notice will be sent by e-mail, cigarette and tobacco product distributors must provide an e-mail address to the Attorney General and update it as needed. You may do this by sending an e-mail to tobacco@doj.ca.gov. You will receive an e-mail acknowledging that the Attorney General has received and recorded your e-mail address. We recommend that you send your e-mail address as soon as possible.

If you violate these provisions, you are subject to civil and criminal penalties and the seizure or forfeiture of any noncompliant product. In addition, we may revoke or suspend your license.

For more information

If you have questions regarding the new licensing or recordkeeping requirements, or the other provisions of the new law, please visit our website: www.boe.ca.gov. Or you may call our Excise Taxes and Fees Division at 800-400-7115. Staff are available to help you weekdays from 8 a.m. to 5 p.m., except state holidays.
